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Moore, William James

Estimates on building values and building losses

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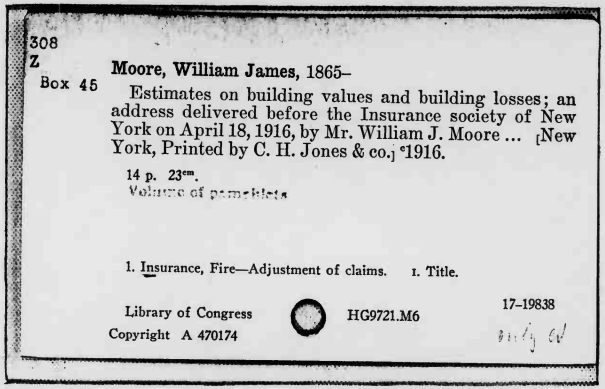

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Estimates on Building Values and Building Losses

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AN ADDRESS

DELIVERED BEFORE

The Insurance Society of New York

ON

April 18, 1916

BY

Mr. William J. Moore
of Alexander Moore's Sons

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Nov. 23, 1917 AET

Estimates on Building Values and Building Losses.

Construction.

Buildings in New York City are classified by the Building Department as follows: Fireproof, non-fireproof and frame.

Fireproof Buildings.

Fireproof buildings or structures are those which are constructed throughout of materials that will resist the action of fire, and which have walls built of masonry or reinforced concrete; columns and beams of iron or steel; floor filling, either of terra cotta arches or concrete.

When a building exceeds a height of 150 feet, all exterior window frames and sash are required to be of metal, or of wood covered with metal.

When the height of building does not exceed 150 feet, the doors, window frames, trim, casings and other interior finish, when filled solid at the back with fireproof material, may be of wood. No wooden doors or windows are allowed in any building exceeding the height of 150 feet.

The Law requires that every building hereafter erected shall be a fireproof building, as follows: Every public building over 20 feet high, in which persons are harbored to receive medical, charitable or other care or treatment, or in which persons are held or detained under legal restraint; every other public building over 40 feet high or exceeding 5,000 square feet in area; every residence building, except tenements, over 40 feet in height and having more than 15 sleeping rooms; every tenement house exceeding six stories or parts of stories as provided in the Tenement House Law; every residence building having more than 15 sleeping rooms and exceeding 2,500 square feet in area, unless divided by interior partition walls of approved masonry or reinforced concrete into sections of less than 2,500 square feet area; every other residence building over 75 feet in height; every building over four stories in height used as a factory as defined

in the Labor Law; and every building or structure within the fire limits or the surburban limits used as a grain elevator or a coal pocket.

Non-Fireproof Buildings.

Non-fireproof buildings or structures are those which do not conform to the requirements for fireproof buildings or structures, but which are enclosed with walls of approved masonry or reinforced concrete.

Frame Buildings.

Frame buildings or structures are those of which the exterior walls or any parts thereof are of wood, or which do not conform to the requirements for fireproof or non-fireproof buildings.

There are two distinct methods of framing a building; one with plate tenoned into the post and pinned, and known as the "brace construction," the other, what has become known as "balloon construction."

Throughout the country most frame buildings are of balloon construction, and I believe that laws should be passed requiring that in every case of balloon construction, fire stops be put in at each tier of beams, as this would, to a great extent, prevent the spreading of fire. Experience shows that, without this precaution, when a fire extends to the space between the studs, it will either run to the top of the space, and there mushroom; or drop to the bottom of the space and work its way upward, spreading laterally as it goes; or it may do both.

In New York City within the fire limits, frame buildings are prohibited. Outside the fire limits, and throughout the suburban districts, most of the buildings are frame.

Plans And Specifications.

Before erection, construction or alteration of any building is commenced, the owner or lessee or agent in connection with the proposed construction or alteration, or the architect or builder, shall submit to the Superintendent of Buildings a detailed statement in triplicate of the specifications on appropriate blanks to be furnished to applicants by the Bureau of Buildings, and a full and complete copy of the plans of such proposed work, and such structural detail drawings of said proposed work as the Superintendent of Buildings may require.

In New York City and most of the other cities of our State

are Building Departments whose officers go thoroughly over plans of buildings. Here the Building Department is under the head of a Superintendent with a corps of engineers who thoroughly inspect the plans and pass upon them, before a permit is given.

The Building Department is a great help to the builders of New York and also to the Insurance Companies. In case of a building damaged by fire, where it is impossible to get plans of construction, plans may be seen at the Building Department without privilege of removal and they will be found to be complete.

Of the small communities, the majority at present have no Building Departments and the people are allowed to build almost as they see fit.

Value Of Buildings.

The building contractor and estimator engaged in computing the costs of our modern buildings must eliminate the item of guesswork from the estimates as far as possible. This is not an easy matter, as building construction methods can hardly be reduced to the scientific basis of factories and shops, with their fixed surroundings and control of weather vagaries. When the many unforeseen conditions entering into the cost of modern buildings are taken into consideration this is readily seen—weather, rain, snow, cold, etc., all capable of causing inestimable damage and expense.

In arriving at the value of a building, it is absolutely necessary that we obtain correct measurements of ground space and the height of each story.

In fireproof buildings obtain the correct length, size and weight of iron columns, girders, beams and how constructed, and the ornamental iron work including stairs. Mason Work—obtain the measurement and thickness of walls, and of what materials, noting particularly the stone work or terra cotta trimmings; the floor arches, their construction, thickness, and of what materials. Partitions—their thickness, also thickness of cinder fill to level arches and between sleepers. Plastering—number of yards, cornices and other mouldings, if any. Tiling—the square feet of flooring and walls. Roofing—the number of square feet and of what material. Cornices—if of stone, terra cotta, copper or galvanized iron. Skylight—whether copper, iron or galvanized iron and how glazed. Carpenter Work—bucks, sleepers, underflooring, finished floors, doors, windows, and other sundries, each in detail. Plumbing—sewer, upright lines, fixtures, of what de-

scription and make, their connections, etc. Heating—note particular make of boiler, piping, radiators, and their connections, including the finishing of same. Electric Light Wiring—number of outlets, switches, feed lines and cut-out boxes, being very particular about the fixtures. Painting and decorating. Fireproof doors and windows. Elevator. Bell Wiring and any other sundries that go to make up a building.

After obtaining correct quantities in all the various items, which go to make up a building, place correct price on same taking into consideration the increase of cost of materials at the present day. This cost is fluctuating. Wood materials, such as beams, flooring and studding have increased in three months, ten per cent. Iron Work has increased in cost, thirty dollars per ton. Copper has doubled in price. Metal lath in plastering has increased six cents a yard. Cement has increased twenty-five cents a bag. Materials for making paint have increased fifty per cent., and in some cases one hundred per cent.; but, taking it in all, the increase on materials has been an average of fifteen per cent.

Labor this season has seen a great deal of unrest in the Building Trades. We have just succeeded in establishing a rate of $5.50 per day for our carpenters, an increase of ten per cent. Painters have increased ten per cent., and wages for unskilled laborers have increased about fifteen per cent., so in all there is a general increase or an average on cost of materials and labor of ten per cent.

Non-fireproof buildings and frame buildings should be estimated on in the same careful manner, taking off each item in detail.

In making all of these estimates, it is absolutely necessary that the correct quantity should be established, distinctly noting the class of materials and seeing that the correct prices are put on each of the items. After figuring the building out in detail, every builder who goes into the work carefully should establish a sound value by cubic feet for the class of building, the details of which he has been making.

In estimating for Insurance Companies, many builders, with their vast experience in establishing values, can very readily, sometimes by looking at a building, and at others by taking the ground space occupied and the height, give the valuation of a building in a very short time. These cubic foot estimates by experienced builders will come near enough in most cases for estimating the sound value of a building, unless the difference in the valuation and the amount of insurance carried should appear to be very far apart. In such case a detailed figure should be made.

In the cases of Churches and Public Buildings, it is almost impossible to arrive at satisfactory results by following the cubic foot method, and the only reliable way will be to estimate the values in detail.

Most of the large estates around New York and the large manufacturing plants throughout the east have valuations put on their plants so that the correct amount of insurance is established.

The hardest problem I find in making valuations of buildings is presented by some of our large corporations, who, not with reference to insurance, but to leaseholds, want the original cost, the visible depreciation and then a percentage of depreciation to the building because of the neighborhood in which said building is situated.

A large number of buildings were, a few years ago, in first-class sections, but today the neighborhoods have changed and in many cases have depreciated so much that the buildings and lands are not worth the original cost of the buildings alone. As a rule agreements in such cases are satisfactorily achieved, but not without radical readjustments of value, involving not only buildings but the lots on which they stand.

During the last few years a great number of our neighborhoods have changed so rapidly that buildings have become vacant, not on account of any lack of condition, but because newer buildings have been put up in new locations which attract the occupants. A great deal of this property has deteriorated in value and for the time being the question is a very hard one to solve. But the only thing that I as a builder can do is to establish the value at the cost of materials and labor subject to a depreciation for wear and tear only.

In establishing the values of buildings it is absolutely necessary that a builder of experience be engaged.

My office has, for several years, been establishing sound values on a large number of buildings belonging to various estates in New York, on docks and buildings, shipyards and large mercantile establishments, throughout the east. Last year our work in this line was particularly heavy, and this notwithstanding that for several years back, the Exchange has not accepted these estimates for the simple reason that too many irresponsible builders were making figures on cost of buildings, and whose figures were

simply made to suit the request of person asking for them, instead of being absolutely fair and unbiased.

In appraising after loss a large number of these unfair valuations have come to my attention. Today, an owner who is asking for an estimate of sound value of building does not try to influence his builder on cost, unless it is after a fire has occurred.

Loss Estimates.

In making an estimate of loss or damage to building by fire or water the first requirement of a builder, in my estimation, is that he should be absolutely fair to the Company and the insured alike. In my twenty-five years of doing work for the Insurance Companies I have yet to find a Company who ever asked me to be unfair; in fact, I have been told by a number of the Companies' representatives to pay 101 cents on the dollar rather than 99 cents.

The making of estimates of loss to buildings has been somewhat revolutionized during the last few years. In former years all that was necessary for a builder to do was to submit a lump figure as his estimate. This, today, will only do for a telephone call to let Company know approximately extent of loss, but most Companies and the Loss Committee now insist on details. I, myself, some years ago was opposed to giving details; but, upon taking the matter up with several of the adjusters of the Companies and talking same over in a sensible manner, I decided for our firm that we would do so.

Some of my competitors said sour things about me and stated it was giving too much information, but after several years trial, I do not seem to have lost any business by so doing. I am a firm believer that small losses should be adjusted by the adjuster of a Company without sending for a builder, unless in case of a difference.

A builder may, with sufficient accuracy, estimate the loss on a building without giving any details whatever in his written estimate and if the accuracy of the estimate is challenged he may be able to sustain it when it comes to discuss the amount of the loss with the insured or the insured's builder, or both. If such conversation developes the fact that he has under-estimated on some items, it is very likely to develop that he has over-estimated on others; but, as he has given nothing more than his estimate of the cost of the entire loss, nobody will be the wiser.

On the other hand, with the estimate given in detail, (usually

in duplicate) to the adjuster, one of two things is likely to happen: either the adjuster before giving information as to the details to the insured or his representative will detach the sum set opposite the details of the work and give out only the latter; or he may, in disregard of the builder's wishes, give out a copy of the details, including not only items of work to be done but the amounts to be charged therefor. In either event the insured can easily check the details against the apparent damages and either call attention to omissions or to errors in estimating the cost of the items of work. With this prospect before him, the builder, with a reputation as competent in his line and desiring to retain it undiminished, will necessarily take more time and use extra care in order that his figures may be as nearly right as possible, not merely in the aggregate, but in detail as well.

The giving of an estimate in such full detail as has for some years been my practice necessarily increases the cost, not only because of the greater expense of transcribing the report, but also because of the greater care required to secure accuracy.

The extra cost involved is, however, a good investment for the Companies—in the long run surely. Often-times owners are misled by the builders whose estimates they, in good faith, have asked. Many a builder so employed reasons that he owes no obligation to the Insurance Company to avoid overcharge and that if his estimate is too high the man who employs him cannot suffer, and that if the owner succeeds in obtaining an unnecessarily liberal allowance from the Insurance Company, he (the builder) will reap the benefit by being able to obtain the contract at a higher figure than the owner could afford to make to him if, when the estimate was asked for in the first place, it had been with knowledge that the cost would have to be met out of the owner's own bank account rather than that of the insurance Company.

A detailed estimate such as I have described will often-times be the means of convincing the owner that the estimate obtained by him was for an unjustifiably large amount. The honest insured, in such a case, frequently insists upon full correction of the estimate obtained by him, or disregards it entirely, obtaining another from another builder, who, with proper instructions, may bring in an estimate nearly or wholly in accord with that obtained by the Insurance Company. Even where the owner cannot relieve himself, in whole or in part, of responsibility for the inflation of the estimate presented by him, the possession by the Com-

pany's adjuster of the details will often enable him, without trouble, to demonstrate the falsity of the estimate that has been presented to him.

No adjuster should ever take a final stand on the strength of a building estimate without first submitting to the insured the details of the work which the Company's builder has estimated on, except in the case of some of the small losses. No builder can be sure that he has seen and estimated upon every item of damage to the building until the owner has approved this portion of his work. He may have omitted to estimate upon some item of value known to the owner or to the owner's representative to have been destroyed, the existence of which may not even be faintly suggested by the condition of the building when the builder visits it alone, for the purpose of drawing up his statement of work to be done. To cite familiar instances: A closet, a partition, a door, a skylight or special decorations may all have been absolutely destroyed by fire with nothing to suggest their previous existence to any one not thoroughly familiar with the building immediately before its damage or destruction by fire, and in such a case before the adjuster can properly say what he will or will not pay, he should submit to the insured for approval or correction the details of his builder's estimate.

Often-times the corrections claimed are in excess of those warranted, not always because of the insured's desire to be paid for that which he did not lose, but because of faulty recollection or incomplete knowledge. For this and other reasons it is often advisable that in cases of difference as to the amount of work to be done the parties should meet at the building and discuss the corrections claimed. The parties to the conference, at the place of the fire, should include the adjuster, the builder who has estimated for him, the insured, or his authorized representative (preferably the former) and the builder on whose expert knowledge and advice the insured is relying.

In making estimates of small losses the builder should be thoroughly qualified to make all the figures, and know extent of fire damage himself, without any sub-contractor. In large losses we have made it a rule for years, in my office, to figure off every item of loss in the various branches of the work, then send our sub-contractors to estimate on each item of damage in their respective lines. We go over their estimates carefully and if we find any marked difference between our figures and theirs, we send for them and talk the matter over to see why the difference

should be. Many a time we go back to the building and go over it again until we are satisfied which estimate is correct, before we put it in to the interested Company or Companies. I believe that all builders doing work for the Companies should do the same, for if this is done and the builder should be called upon to make the repairs, he will do so without hesitation, knowing himself to be safe.

Builders should be very careful when estimating to be sure that they are in the right premises, as I know that occasionally mistakes are made and sometimes the Companies have paid loss on the wrong building. If there is any question of location, the builder should call up the Company and make sure the location is correct. Companies could help builders if they would try to get the correct number of the building instead of description giving number of feet, as generally the number of feet is guess work. It recalls to my mind the circumstance of a loss on which I was retained at Baltimore, directly after the large conflagration. A builder there, who had been doing work for the various Companies in Baltimore for a number of years, gave an estimate on a building in which a number of Companies were interested. As the figures made it a total loss several of the Companies paid their proportions of the claim on that basis. Not knowing anything about the circumstance of this case whatsoever, I was called in one night and asked to take a look at the map and cube the building. As I had been down there several days and was familiar with the location, cubing at the prices that I knew to be practically correct, I found that the building was not worth over 60 per cent. of the insurance.

The Company for whom I made the estimate had not paid its proportion of claim and an examination of the building was made. The following day I sent for the builder who had made the figures, brought him to the building, took measurements, figured it out and could not find the value to exceed the amount that I had placed on it while cubing it, but found that this man had figured two buildings as one, and made him admit so while there.

The Companies who had paid their proportions were out considerable money and I do not believe they have ever recovered any portion of it; so this illustrates how necessary it is to be sure you take in only what the Company actually covers.

Some years ago I was sent to a building in Monroe Street to make an estimate for an Insurance Company. After turning

in the estimate I was called up by the Company who informed me there was quite a difference and requested I meet the assured at the premises. I was there as I thought, the insured did not seem to come, I called up the Company, but he had called up before I had. It seemed strange, but I found out there was another building with the same number on the same street, and both had a fire in them. This, as a great many know, was not an uncommon matter a few years ago. It seemed strange, but I had found the smaller fire first. But builders are not the only ones who get into the wrong building for I know an adjuster who found the right number in a block and thought he was in the right place, and did not discover his mistake, until he practically had a furniture loss closed. After several hours work, on looking at the policy, he discovered it was not his but another Company's policy. Inquiry of the lady whom he had taken to be his insured developed the fact that he was one block too far south. By a coincidence, houses of the same number on the two streets had been damaged by fire almost at the same time.

Builders should be careful on an out of town loss when a building may have been in course of construction, to find out how far it may have progressed. A peculiar circumstance comes to my mind where a man insured a building for $3,500 and, after its destruction by fire, stated that the work had been completed and looked for the full amount of the insurance. Upon investigation, something peculiar in the ruins called to my attention the fact that the building could not have been completed and in going among the neighbors some distance away from fire, I found that the building had only been lathed, that the mortar was made up in the cellar and had not even been applied. This man when it was called to his attention admitted this fact. When the amount of the loss was finally settled it was only about 50 per cent. of his claim, and he received all that he was justly entitled to.

If a builder omits any work in making up his estimate believing the same to belong to the tenant, special note should be made on his estimate so that the Company will know that this special item has been omitted and the omission will not lead to any misunderstanding.

Foundations.

Some policies exclude foundations and sometimes the question comes before the builder, where do foundations end and building proper begin? I know of no better way of deciding than

the definition contained in the Building Code of the City of New York—"Foundation walls shall be construed to include all walls and piers built below the curb level or the nearest tier of beams to the curb, which serve as supports for walls, piers, columns or other structural parts of a building or structure."

Plastering.

Sometimes I have differed with other builders, but I am a firm believer that when a ceiling on wood lath is very wet it should be figured as to be taken down and replaced, because sooner or later there will be trouble with it, for the lath will swell and clinch will be broken. On metal lath there is no danger of it falling, simply allow to repair. With walls it is different; the water is generally only on the face of the plaster, has not penetrated except possibly to a slight extent; besides all stud partitions have a plate at top which leaves no opening for water to come through. If a ceiling is on fireproof block or concrete construction, it should be tested and if sound it will dry and remain so and no uneasiness will be caused. In Public Buildings, School Houses and places where a large number of people assemble, if a ceiling is wet it should come down for the reason that no chances should be taken and it is better to have it taken down than possibly have some one injured, as these ceilings are generally high. No doubt this will raise some question, but I find that when a builder has to do the work for a Company, that builder has to take the ceiling down.

In a recent case where I represented the insured in the settlement of a loss a very interesting question arose. Fire had done considerable damage to the posts, girders, beams and flooring. On one of the floors over which there were large iron tanks resting directly on the floor, the occupants who owned the tanks, had no insurance and stated to owner the tanks were all right and as soon as building was put back they were willing to start paying the rent. The beams and flooring directly under tanks were burned and had to be removed and replaced; to do this it was necessary to break connections to tanks and raise them. This cost considerable money and had to be figured as part of loss on building, and was finally allowed by the interested Companies.

Many interesting questions come up in replacing a building, as to what disposition should be made of the stock debris. I know it to be a fact whenever a builder is called in to replace the

building he has to move the stock debris in order to replace his work and eventually has to remove it from the premises. A builder in estimating loss should include an estimate for removal of stock debris, keeping said item separate for decision as to who is to pay for it.

Builders representing Insurance Companies should be ready to show the insured's builder the short way to do his work; for instance, on a recent trip to one of our Southern Cities, there came up a question on plumbing; the soil lines throughout building were of 4-inch galvanized wrought iron pipe with screw joints. This particular building was very tall and the lines were damaged and warped on the first floor. The plumber insisted that he would have to begin at the top and unscrew taking out the connections as he came down, and as there were sixteen upright lines it meant quite a large expenditure of money. In this particular city, and also the principal cities of the United States, the Building Department would not allow a union connection in the pipes, but when I proved to him that I could procure for him pipe threaded right and left there being space enough to allow spring to put in pipe, or by using a Tucker connection, the work could be done without removing lines above first floor, he very readily agreed with me but stated it would be the first time to his knowledge that the same would be used in that section of country.

In conclusion, I believe it to be for the best interests of both the insured and the Companies, to have their estimates made by men who, by years of experience in the replacing of building losses, have made a careful study of the effect of fire and water upon the various materials.

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